

Message Text

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ACTION NEA-09

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FM AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: EGEN EG

SUBJECT: EASING INFLATION; A TANGLED WEB

1. ON APRIL 24, MINISTER OF SUPPLY ABDUL RAHMAN AL-SHAZLI ANNOUNCED QUOTE URGENT DECISION UNQUOTE WHICH HE SAID WOULD DECREASE PRICES OF MEAT. INFLATION IN PRICE OF MEAT HAS BEEN ONE OF MAIN COMPLAINTS OF POPULACE SINCE 1973 OCTOBER WAR. PRICE OF MEAT HAS GONE FROM APPROXIMATELY 60 PIASTERS A KILO TO AT LEAST 100 PIASTERS AND IN SOME PLACES 150 PIASTERS IN THE CITY OF CAIRO IN THE LAST YEAR AND A HALF. INFLATION IN OTHER PARTS OF THE COUNTRY HAS NOT BEEN NEARLY AS GREAT AS IT HAS BEEN IN CAIRO.

2. MINISTER'S ANNOUNCEMENT SAID GOE WILL IMPORT UNSPECIFIED QUANTITIES OF MEAT FROM EUROPE AND AUSTRALIA QUOTE BEFORE THE END OF THE YEAR UNQUOTE WHICH WILL BE SOLD FOR 60, 68 AND 75 PIASTERS PER KILO (PRESUMABLY AT GOVERNMENT-CONTROLLED SUPPLY OUTLETS). SHAZLI SAID THAT THIS WILL MEAN A GOVERNMENT SUBSIDY OF A TOTAL OF 24 MILLION POUNDS TO ENABLE THE MEAT TO BE SOLD AT THIS PRICE.

3. SHAZLI ALSO ANNOUNCED PRICES THAT A CATTLE DEALER MAY
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PAY THE BREEDER FOR BEEF ON THE HOOF WILL BE SET AT 44 PIASTERS

PER KILO. THIS IS LOWER THAN CURRENT PRICES, WHICH WE UNDERSTAND ARE NOT NOW CONTROLLED BY THE GOVERNMENT. IN ORDER TO MAKE THIS PALATABLE TO THE FARMER, SAZLI FURTHER ANNOUNCED THAT FODDER WILL BE SOLD AT A LOWER PRICE MEANING AN INCREASED SUBSIDY AMOUNTING TO 15 MILLION POUNDS PER YEAR.

4. COMMENT: THE EFFECT OF THIS DECISION IS NOT IMMEDIATELY APPARENT. LOGICALLY DECREASE IN LIVESTOCK PRICE SHOULD RESULT IN A DECREASE IN WHOLESALE AND RETAIL PRICES. SKEPTICAL CAIRO CONSUMERS POINT OUT, HOWEVER, THAT IDENTICAL DECISIONS HAVE BEEN ISSUED IN THE PAST (LAST WAS MAY, 1972) WITH NO REAL RESULTS. USUALLY, SUPPLIES AT GOVERNMENT STORES WHERE PRICES MAY BE LOWERED ARE NEVER ADEQUATE TO MEET DEMAND. PRIVATE BUTCHERS ON THE OTHER HAND, HAVE RESISTED PRICE CHANGE OR HAVE SIMPLY INCLUDED A HIGHER PROPORTION OF BONE AND ENTRAILS IN THE KILO TO COMPENSATE FOR AN ENFORCED LOWER PRICE.
EILTS

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